

Learning Outcomes being covered in this test:

LO 1: Financial Information

AS 4: Bank Reconciliation Statements

LO 3: Managing Resources

AS 2: Utilising the Periodic Inventory System

QUESTION 1 – Periodic Inventory

[35 Marks]

Use the information provided to answer the questions below.

Information:

PSB Traders has been using the periodic inventory system since its inception. On 1 March 2007, the first day of the financial year, the trading inventory on hand amounted to R72 180. On 28 February 2008 the annual stock-take revealed inventory on hand of R68 130.

Further information, extracted from the accounting records included:

• Sales	R 495 000
• Credit Purchases	261 920
• Debtors Allowances	2 500
• Creditors Allowances	4 000
• Carriage on Sales	3 100
• Carriage on Purchases	8 600

The following transactions took place after the pre-adjustment trial balance was drawn up and are therefore NOT included in the figures above:

1. On the 28th of February the owner took merchandise costing R500 for his own use.
2. Damaged goods valued at R1 000 were returned to a supplier.

NOTE:

80% of all purchases are made on credit.

Required:

- 1.1. The Purchases Account as it would appear in the General Ledger (11)
- 1.2. The Trading Account (13)
- 1.3. Calculate the Cost of Sales for the year. (3)
- 1.4. The business tries to maintain an average profit mark-up of 50% on cost. Will the owner be satisfied with the mark-up actually achieved? Substantiate your answer with a calculation and give 2 possible reasons why the actual and intended mark-ups are different. (8)

ANSWER

1.1

Purchases

Total	b/d	327 400	Drawings	GJ	√√500
		√√√	Creditors allowances		
			(4 000√ + 1 000√)	GJ	√5 000
			Trading account√	GJ	√√321 900
		327 400			327 400

1.2

Trading Account

Opening stock	GJ	72 180√√	Sales (495 000√ -		
Purchases	GJ	321 900√√	2 500) √	GJ	492 500 √
Carriage on purchases	GJ	8 600√√	Closing stock	GJ	68 130√√
Profit and loss	GJ	157 950√√			
		560 630			560 630

1.3 Calculating Cost of Sales

Sales – Gross profit
492 500 √ – 157 950 √
334 550 √

1.4 Maintaining profit mark-up

Mark-up = gross profit/cost of sales * 100/1√
= 157 950/334 550 * 100/1√
= 47,2%√
No the owner will not be satisfied, the achieved mark-up is less than the desired mark-up√
2 possible reasons: Some Inventory has been stolen√√
Goods sold have been damaged in transit and allowances have been given. √√

QUESTION 2 – Bank Reconciliation Statements**[45 Marks]**

Hogby Traders has approached you to help complete the monthly bank reconciliation for May 2007.

Information relating to the cash journals and the bank statement:

1. Information extracted from the bank reconciliation statement for April 2007.

	R
Outstanding deposit	8 765
Outstanding cheques:	
# 254	1 073
# 259	548
Unfavourable bank account balance	829

2. Extract from the cash receipts journal – May 2007

Bank	Sales	Cost of Sales	Sundry accounts
39 181	28 000	21 000	11 191

3. Extract from the cash payments journal – May 2007

Bank	Wages	Stationery	Sundry accounts
41 546	15 000	790	25 756

4. The following items appeared on the May bank statement issued by ABSA Bank, but not in the cash journals:
- A cash deposit for R8 765
 - A direct deposit of R 826 was made on account by P Edwards, a debtor.
 - A debit order for R317 to Tshwane Metro for water and electricity.
 - A stop order for R270 to the local Council for rates.
 - Service fees R90, cash deposit fees R45, Credit card levies R196 and Interest on overdraft R81.
 - Cheque # 254, R1 073
5. The following cheques that have been issued did not appear in the banks statement:
Cheque #271 for R 232 and cheque #272 for R 345.
6. A cash deposit made on the last day of May for R2 255 did not appear on the bank statement.
7. On the last day of the month the bank statement reflected a debit balance of R4 497.

Required:

- 2.1. Complete the cash receipts and payments journals (21)
- 2.2. Draw up the Bank account as it would appear in the General Ledger for May 2007. (9)
- 2.3. Prepare the Bank reconciliation statement for May 2007 (15)

2.1.

Cash Receipts Journal – May 2007

Doc	Day	Details	Fol	Bank	Sundry Accounts		
					Amount	Fol	Details
	30	Totals ✓	b/f	39 181 ✓	11 191		
b/s		P Edwards		826 ✓	826 ✓		Debtors Control ✓
				40 007 ✓			

Cash Payments Journal – May 2007

Doc	Day	Details	Fol	Bank	Sundry Accounts		
					Amount	Fol	Details
	30	Totals✓	b/f	41 546✓	25 756		
b/s		Tshwane Metro		317✓	317✓		Water and Elec. ✓
b/s		Council		270✓	270✓		Rates✓
b/s		ABSA		412✓	331✓		Bank Charges✓
					81✓		Interest on o/d✓✓
				42 545✓			

2.2. Bank account

31 st	Sundry Accounts✓	Crj	✓40 007	1 st	Balance✓	b/d	✓829
	Balance✓	c/d	✓3 367	31 st	Sundry Accounts✓	Cpj	✓42 545
			43 374				43 374
				1 st	Balance	b/d	✓3 367

2.3. Bank reconciliation statement – May 2007

	Debit	Credit
Debit✓ balance as per bank statement	4 497✓✓	
Credit Outstanding deposit		2 255✓✓
Outstanding cheques:		
# 259	548✓✓	
# 271	232✓✓	
# 272	345✓✓	
Credit✓ balance as per the bank account		3 367✓✓
	5 622 ✓	5 622